

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2384 – SB 2380

April 16, 2018

SUMMARY OF ORIGINAL BILL: Urges the Department of Revenue (DOR), in consultation with the Department of Tourist Development (DTD), on or before March 1, 2019, to study the annual amounts of state and local sales taxes and liquor-by-the-drink taxes generated for the previous five fiscal years in this state from professional sporting events. Within 90 days from the conclusion of any such study, the DOR is required to report its findings and recommendations to the Finance, Ways and Means Committees of the House of Representatives and the Senate.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (016285): Deletes all language after the caption. Creates the Event Tourism Act (the Act). Defines a local organizing committee as a nonprofit entity that: has been authorized to pursue an application to a site selection organization or a sanctioning body for selection as the site of an event by an endorsing local authority or multiple local endorsing authorities acting collectively; has executed an agreement with a site selection organization or a sanctioning body regarding a bid to host an event with the authorization of an endorsing local authority or multiple endorsing local authorities acting collectively; or has created a new event or secured a non-guaranteed event with the authorization of an endorsing local authority or multiple endorsing local authorities acting collectively. In addition, a local organizing committee must be governed by a board, of whom one or more is a representative of a for-profit or not-for-profit business that is qualified to do business in this state, one or more is a local elected official, and one or more is a representative from a nonprofit entity that promotes tourism in the local area, such as a convention and visitor's bureau, chamber of commerce, or destination marketing organization.

Authorizes a local organizing committee to apply to the Comptroller for the certification of an event in accordance with the Act, which shall include: a proposed event venue and event period for the event; an estimate of the event revenue to be collected within the event venue during the event period that is directly attributable to the preparation for and presentation of the event; the estimated attendance of the event; financial information related to the projected revenue and expenses of the event; an estimate of the number of out-of-state visitors who will attend the

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event; a marketing plan for the event; and any other relevant information as determined by the Comptroller.

Prohibits the Comptroller from certifying an event unless the Comptroller: determines the event is expected to have a measurable economic impact; determines the event would not be held in this state without certification of the event; approves an event venue and event period for the event; determines the proposed expenses of the event are directly related to the event.

Defines event revenue as revenue generated from the collection of state and local sales and use taxes, and from the privilege tax imposed on the sale of alcoholic beverages for consumption on the premises (LBD tax), from all businesses at an event venue for the event period.

Establishes, with regards to an approved and certified event under the Act, that 50 percent of event revenue from collections of the state and local sales and use tax and the liquor-by-the-drink (LBD) tax, in an event venue during an event period, that would not otherwise be earmarked for educational purposes, shall be deposited into a new fund, the Event Tourism Fund (the Fund). Moneys deposited into the Fund may be only be expended, upon approval by the Comptroller, for a qualified expense, defined as an expense of a local organizing committee, endorsing local authority, or event venue host directly related to the event. Such qualified expenses may include, upon approval by the Comptroller, labor and equipment directly related to the event, costs related to improvements or renovations to existing facilities to prepare them for the event, and costs related to acquisition or construction of new facilities for the event. Usual and customary maintenance of a facility does not constitute as a qualified expense. Any unencumbered funds and any unexpended balance of the Fund remaining at the end of any fiscal year shall not revert to the General Fund, but shall be carried forward until expended in accordance with this Act.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Revenue – Exceeds \$150,000/General Fund
Exceeds \$100,000/Event Tourism Fund**

Increase State Expenditures – Exceeds \$100,000/Event Tourism Fund

Increase Local Revenue – Exceeds \$50,000

Assumptions for the bill as amended:

- This Act earmarks 50 percent of the increase in revenue, from the application of the state and local sales and use tax and the LBD tax, which would not have otherwise been earmarked for educational purposes, into a new fund, the Event Tourism Fund (the Fund) for the purpose of tourism events.

- Large portions of the tax proceeds collected through application of the state and local sales and use tax and the LBD tax are currently earmarked for educational purposes.
- Pursuant to Tenn. Code Ann. § 67-6-103 (a)(1), 65.0970 percent of the proceeds collected through application of the first 5.5 percent (of 7.0 percent) of the state portion of the sales and use tax shall be earmarked and allocated specifically and exclusively for education purposes, 29.0141 percent shall be earmarked and allocated specifically and exclusively to the General Fund, and 4.6030 percent shall be appropriated to local governments. The next 0.5 percent of the (6.0 – 5.5) is distributed for educational purposes. The remaining 1.0 percent (7.0 – 6.0) is allocated the General Fund.
- Pursuant to Tenn. Code Ann. § 67-6-712(a)(1), one-half of the proceeds collected from application of the local option sales tax must be expended and distributed in the same manner as the county property tax for school purposes. The remaining one-half is distributed to counties, municipalities, and may be allocated to school purposes, upon the discretion of the respective local government.
- Pursuant to Tenn. Code Ann. § 57-4-306, one-half of the proceeds collected from application of the LBD tax is distributed to the General Fund to be earmarked for educational purposes. The remaining one-half is distributed to local governments, one-half of such (or one-quarter of the total) to local education authorities and the remaining one-half (or one-quarter of the total) is distributed to the respective county general fund and to the city or town wherein such tax was collected.
- This legislation requires the Comptroller to determine and certify events which will only take place if such certification is granted; thus, it is assumed that all certified events would not take place in the absence of this legislation.
- Therefore, this legislation is estimated to result in an increase in state revenue, an increase in local revenue, forgone state revenue to the General Fund, and forgone local revenue.
- Forgone state and local revenue will be allocated to the Fund and expended from the Fund to pay for expenditures incurred by a local organizing committee, endorsing local authority, or event venue host that are directly related to the event approved by the Comptroller.
- Due to multiple unknown factors, any increases in state and local revenue; forgone state revenue to the General Fund; and forgone local revenue, cannot be reasonably determined as the number of events and the extent of event periods that will be approved and certified by the Comptroller is unknown.
- However, due to the fact that events and event periods certified as a result of this Act are estimated to be large and of significant economic impact, it is reasonably estimated that any recurring increase in state revenue will exceed \$150,000, and any recurring increase in local revenue will exceed \$50,000.
- In addition, the amounts of state and local revenue estimated to exceed \$100,000 (\$75,000 state + \$25,000 local) per year will be deposited into and expended from the Fund for providing funding to event planners to defray the costs associated with undertaking the respective events instead of otherwise being used by other general state and local purposes.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb